

PUBLIC DISCLOSURE

January 28, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WORCESTER POLICE DEPARTMENT CREDIT UNION

805 WEST BOYLSTON STREET
WORCESTER, MA 01606

DIVISION OF BANKS
1000 WASHINGTON ST
BOSTON, MA 02110

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| <p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p> |
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income individuals, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **WORCESTER POLICE DEPARTMENT CREDIT UNION (or the Credit Union)** prepared by the Division, the institution's supervisory agency, as of **January 28, 2013**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

An institution in this group has a reasonable record of helping to meet the credit needs of its assessment area, including low- and moderate-income individuals, in a manner consistent with its resources and capabilities. The above rating is based on the following findings:

- Deposits from the membership are returned to members in the form of consumer installment loans and residential loans. Loan-to-share ratios are at a reasonable level.
- The distribution of loans to borrowers of different income levels is considered satisfactory and is representative of the membership.
- The Review of Complaints and Fair Lending section indicates that the Credit Union has made reasonable efforts in ensuring that members of different income levels have equal access to credit and services.

SCOPE

This performance evaluation assesses the Credit Union's performance under the Small Institution Test for Credit Unions.

According to CRA regulations, an institution shall delineate one or more assessment areas by which the institution will serve to meet the credit needs and within which the Division will evaluate the institution's CRA performance. A credit union whose membership by-laws provisions are not based upon residence is permitted to designate its membership as its assessment area. The Credit Union has defined its membership as its assessment area, as opposed to a geographic area. Therefore, an evaluation of credit extended within defined geographic areas was not conducted as such an analysis would not be meaningful. This evaluation was based upon an analysis of the Credit Union's performance in providing loans to its membership; providing loans to individuals of various incomes, including low to moderate-income members; and the Credit Union's fair lending performance.

PERFORMANCE CONTEXT

Description of Institution

Worcester Police Department Credit Union is a Massachusetts state chartered credit union, incorporated on February 1, 1947. The Credit Union was established to serve the credit needs of the employees and associates of the Worcester Police Department. The Credit Union moved from 400 Grove Street, Worcester to 805 West Boylston Street, Worcester on May 29, 2012. The Credit Union's new location is the sole full service branch for the Credit Union, and its open business hours are Monday through Friday from 8:00 AM to 4:00 PM. This location also has a drive up teller window that is open during regular business hours.

The Credit Union offers online banking services, including direct deposit, payroll deduction, online bill pay, and applications for membership and for credit. The Credit Union receives applications for consumer loans and mortgage loans via Internet, telephone, mail, and in person applications. The Credit Union offers the following products to its members: signature loans, auto loans (new and used), student loans, savings-secured loans, unsecured loans, holiday and vacation loans, home improvement loans, home equity loans, and home equity lines of credit. The Credit Union has a relationship with Members Mortgage Company and Allanach Mortgage Group to originate first-lien position real estate mortgages for Credit Union members. Servicing of loans originated by Members Mortgage Company is retained by the mortgage company.

In addition, an Automated Teller Machine (ATM) is provided in the Worcester Police Headquarters location. This stand-alone ATM dispenses cash only and provides balance information. The Credit Union issues its own ATM cards and members are given 10 free ATM transactions monthly if they are enrolled in the Credit Union's Direct Deposit Program. Non-members are charged a \$5.00 fee for use of this ATM.

As of September 30, 2012, the institution's total assets were \$14.5 million with total loans representing \$9.7 million or 66.9 percent of total assets. The largest portion of the loan portfolio, by number, is comprised of unsecured consumer loans with 44.5 percent of total loans outstanding. These unsecured loans are primarily signature loans and are considerably short term in nature. The next largest portion of the Credit Union's loan portfolio, by number, is comprised of used automobile loans with 32.7 percent of the loan portfolio as of September 30, 2012.

The largest portion in dollar amount is comprised of combined first- and second-position real estate secured loans. These loans represent 33.0 percent of the total loan portfolio. Otherwise, the largest individual segment, by dollar amount, is comprised of used automobile loans, representing 26.1 percent of the total loan portfolio.

The following table depicts the Credit Union's loan portfolio composition based on the September 30, 2012, National Credit Union Administration's (NCUA) Call Report of Condition.

| Table 1 -Loan Distribution as of September 30, 2012 | | | | |
|--|------------|---------------------------------|------------------|------------------------------------|
| | # | % of Total Loans | \$ | % of Total \$ Loans |
| Loans Secured by Real Estate | | | | |
| 1st Mortgage | 18 | 2.7 | 1,896,849 | 19.4 |
| 2nd Mortgage/Revolving Lines of Credit | 29 | 4.3 | 1,326,203 | 13.6 |
| Total Real Estate Loans | 47 | 7.0 | 3,223,052 | 33.0 |
| Unsecured Consumer Loans | 300 | 44.5 | 2,396,519 | 24.5 |
| Used Auto Loans | 220 | 32.7 | 2,549,206 | 26.1 |
| New Auto Loans | 72 | 10.7 | 1,202,798 | 12.3 |
| Other Loans/ Lines of Credit | 34 | 5.1 | 404,438 | 4.1 |
| Total Loans | 673 | 100 | 9,776,013 | 100 |

*Source: NCUA Quarterly Call Report, September 30, 2012

The Division last examined the Credit Union for compliance with the CRA on April 18, 2008. That examination resulted in a CRA rating of “Satisfactory.”

Description of Assessment Area

The Credit Union has designated its membership as its assessment area. Until November of 2011, the Worcester Police Department Credit Union’s by-laws stated: “Membership in this Credit Union is limited to those who are Worcester Police Officers presently employed, family members being defined as husband or wife, first generation blood or adopted children, civilians which are presently employed by the Worcester Police Department, Credit Union employees, police and civilian retirees of the Worcester Police Department, communication personnel of the Worcester Police Department, permanent and provisional employees of the Worcester Police Department excluding temporary employees, except that persons not so eligible to membership may have joint accounts with members of the Credit Union for the purpose of deposits and withdrawals only.”

In August 2011, the Commissioner of Banks approved the revision of the Credit Union’s By-Laws which were later enacted in November 2011. This revision expands the eligibility of membership, stating:

Membership in this Credit Union is limited to any retired or presently employed full-time police officer, full-time civilian Credit Union employees and their family members from any municipal police department, within the area defined as Worcester County, State of Massachusetts and if any changes in corporate, their successors and Credit Union Employees and their family members.”

Additionally, the Credit Union may receive deposits in the name of a member on a joint account with a non-member. Such other person shall not be deemed a member.

For the purpose of this by-law, the term “municipal police department” shall mean any police department paid through a City or Town.

As of December 31, 2012, the Credit Union's membership totaled approximately 977 individuals.

Because the Credit Union's membership is not based on geographic boundaries, this evaluation did not include an analysis of lending by geographic location of the borrower.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

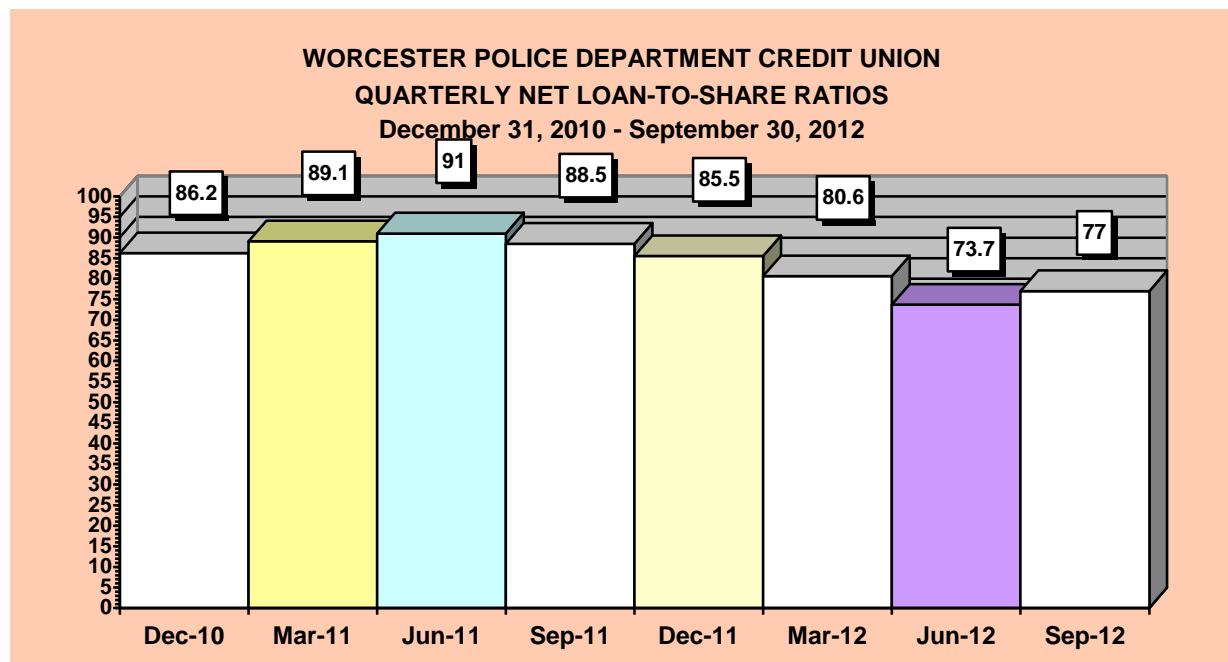
Small Institution CRA evaluation procedures were utilized to assess the CRA performance. These procedures utilize the Lending Test. Since the Credit Union defined its assessment area as its membership, this evaluation considered the institution's performance pursuant to the following criteria: loan-to-share (LTS) ratio, lending to borrowers of different incomes, and record of taking action in response to CRA complaints and a fair lending review.

1. LOAN TO SHARE ANALYSIS

Based upon the Credit Union's asset size, its capacity to lend, and the credit needs of the membership, the analysis of Worcester Police Department Credit Union's net loan-to-share ratio indicates that the Credit Union meets the standards for satisfactory performance.

An analysis of the Credit Union's net loan-to-share (LTS) ratio was performed using NCUA quarterly call report data for the period December 31, 2010 through September 30, 2012. The analysis was conducted to determine the extent of the Credit Union's lending compared to deposits received from its membership.

The Credit Union's net LTS ratio as of September 30, 2012 was 77.0 percent. The average net LTS for the eight quarter period reviewed was 84.0 percent. As illustrated in the chart below, the Credit Union's ratios have been relatively consistent over the last eight quarters, with a slight downward trend. The net LTS ratio reached a high of 91.0 percent in June 2011 and a low of 73.7 in June 2012. Net loans have consistently grown over the time period by 4.0 percent while, simultaneously, total shares have risen 16.4 percent. This is consistent with current economic trends and does not negatively reflect upon the Credit Union's performance.



*Source: NCUA Quarterly Call Report, September 30, 2012

A comparison of the Credit Union's net LTS ratio to that of other industrial credit unions was also performed. As of September 30, 2012, Worcester Police Department Credit Union had total assets of approximately \$14.5 million and a net LTS ratio of 84.0 percent, a percentage considered good for a credit union of its size and type. The ratios of three other similarly situated credit unions, over the same 8 quarters as taken from the NCUA's Call Report data, are reflected in the following table.

| Comparative Net Loan to Total Share Ratios* | | |
|---|-------------------|-----------------------------|
| Credit Union | Total Assets (\$) | Net Loan to Share Ratio (%) |
| Worcester Police Department Credit Union | 14,528,961 | 84.0 |
| Worcester Fire Department Credit Union | 37,644,814 | 42.5 |
| Worcester Postal Employees Credit Union | 10,126,672 | 45.4 |
| St. Vincent Hospital Credit Union | 11,397,216 | 41.6 |

*Source: NCUA Quarterly Call Reports, as of 9/30/2012

The Worcester Police Department Credit Union's net LTS ratio was the highest of the three other similarly situated industrial credit unions and is considered good.

2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The distribution of consumer loans by borrower income level was reviewed to determine the extent to which the Credit Union is addressing the credit needs of its members at all income levels. The Credit Union's lending to borrowers of different incomes was based upon the analysis of used automobile loans. The analysis determined the Credit Union meets the standards for satisfactory performance in providing credit to members of all income levels.

The Credit Union's consumer loan data for calendar years 2011 and 2012 was analyzed in order to determine the distribution of credit based upon the income level of borrowers. According to NCUA 5300 Call Report Data, the Credit Union granted a total of 448 used automobile loans in 2011 and the first three quarters of 2012. In 2011, the Credit Union originated 228 used automobile loans and, in the first three quarters of 2012, the Credit Union originated 220 used automobile loans. Used automobile loans account for the largest segment of the Credit Union's consumer loan portfolio, 32.7 percent. Therefore, this product was used as a proxy for the portfolio of consumer loans. A sample of 50 used automobile loans, 24 from 2011 and 26 from 2012 was taken in order to determine the distribution of credit based on the income levels of Credit Union members. The member's stated income was then compared to the Median Family Income (MFI) for the Worcester Metropolitan Statistical Area (MSA), which for 2011 was \$82,500 and for 2012 the MFI for the Worcester MSA was \$83,600.

Used Automobile Loans

The following table details used automobile loans originated in 2011 and categorized by the applicants' reported income in relation to the median family income.

The sample of loans reviewed from 2011 indicates that 29.2 percent of the number of automobile loans originated was to low- and moderate-income members; 37.5 percent to middle-income

members; and 33.3 percent were to upper-income members. The distribution of lending by dollar amount was consistent with distribution by number. The following table provides further detail.

| Table 2 | | | | | |
|--|--|-----------|--------------|-------------------------|--------------|
| USED AUTOMOBILE LOANS ORIGINATED BY INCOME OF BORROWER | | | | | |
| Income Level | Distribution of Families by Income Level | 2011 | | 2012 (first 3 quarters) | |
| | | # | % | # | % |
| Low | 18.5 | 2 | 8.3 | 3 | 11.5 |
| Moderate | 18.3 | 5 | 20.9 | 4 | 15.4 |
| Middle | 25.6 | 9 | 37.5 | 11 | 42.3 |
| Upper | 37.6 | 8 | 33.3 | 8 | 30.8 |
| TOTALS | 100.0 | 24 | 100.0 | 26 | 100.0 |

*Source: In House Loan Files 2011

The sample of loans taken from the first 3 quarters of 2012 reflect 26.9 percent of the number of automobile loans were to low- and moderate-income members which reflects a slight decline from 2011.

In 2011, the loans extended to members within the middle-income category account for both the largest segment of the Credit Union's used automobile lending, by both number and dollar amount. In 2012, the majority of loans by number were extended to members within the middle-income members, and the majority of loans by dollar amount were to upper-income members. The Credit Union's membership eligibility is based on employment, and as such a higher earning potential is expected.

Based upon the analysis of used automobile loans by borrower income, the distribution of loans reflects the Credit Union's willingness to extend credit to members of various income levels, including those of low and moderate income.

3. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the Credit Union's performance relative to fair lending policies and practices, the institution's performance level is satisfactory.

Review of Complaints

There was no indication the Credit Union received any complaints pertaining to its CRA performance since the previous examination. However, the Credit Union maintains adequate procedures to handle all incoming consumer complaints, including those relating to its CRA performance.

Fair Lending Policies and Practices

The Credit Union meets the standards for satisfactory performance in this category.

The Credit Union's compliance with federal fair lending regulations was reviewed. The Credit Union's Policy Manual includes a Fair Lending Policy Statement. This statement is reviewed by Credit Union employees on a semi-annual basis. All credit applications are processed by loan officers

within respective lending limits and all applications are reviewed by the Credit Committee of the Board of Directors, thereby creating a secondary review process.

The Credit Union's marketing activities include the placement of information regarding credit products and services on bulletin boards in various departments of the Worcester Police Department's offices. The Credit Union's main branch also provides brochures and flyers advertising product offerings. The Credit Union also includes statement stuffers in correspondence sent out to the membership. These activities serve to keep members informed of the Credit Union products and services offered by the institution.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (805 W. Boylston Street, Worcester, MA 01606)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.